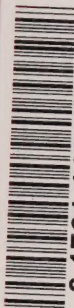


CA1

MT76

-69W 27



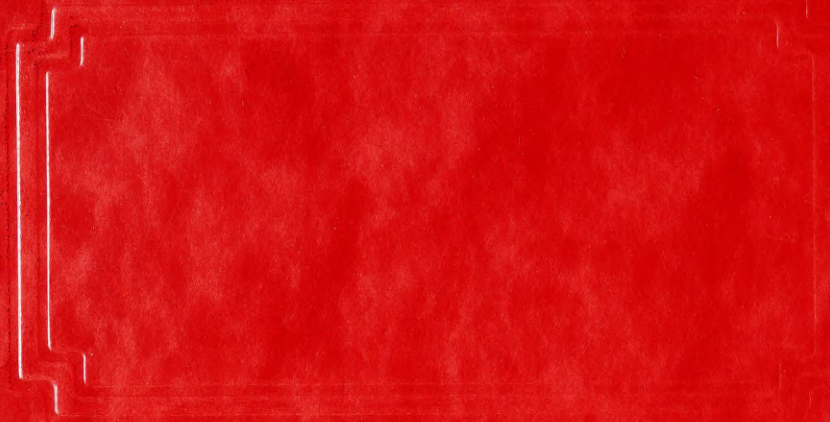
3 1761 11708676 9

Canada. National energy board

[General publications]

[G-5] Report to the Governor in  
Council in the matter of the applica-  
tion under the National Energy Board  
Act of Westcoast Transmission Company  
Limited. 1969.







Canada

NATIONAL ENERGY BOARD

General publications

6-5 REPORT TO

THE GOVERNOR IN COUNCIL

In the matter of the application under  
the National Energy Board Act  
of

WESTCOAST TRANSMISSION COMPANY LIMITED

August 1969





## TABLE OF CONTENTS

	<u>PAGE NO.</u>
THE APPLICATION	1
SUPPLY	3
MARKETS	5
FACILITIES	6
FINANCIAL	8
DISPOSITION	9



Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761117086769>

NATIONAL ENERGY BOARD

IN THE MATTER OF an application of Westcoast  
Transmission Company Limited for a certificate of public  
convenience and necessity under Part III of the National  
Energy Board Act.

File: 8-1-5-23

HEARD at Ottawa on 17 June 1969

BEFORE:

Douglas M. Fraser, Vice-Chairman  
H. Lee Briggs, Member  
Maurice Royer, Member

APPEARANCES:

John W. Lutes	for Westcoast Transmission Company Limited
J.M. Hendry	for National Energy Board







## THE APPLICATION

Westcoast Transmission Company Limited ("Westcoast" or "the Applicant"), a company within the meaning of the National Energy Board Act ("the Act"), operates a pipe line for the transmission of natural gas from northern British Columbia and Alberta to markets in British Columbia and for export at Huntingdon, British Columbia. On 15 May 1969 Westcoast applied to the National Energy Board ("the Board") pursuant to Part III of the Act for the issuance of a certificate of public convenience and necessity in respect of a 12 3/4-inch O.D. pipe line ("the Milligan-Peejay pipe line") to commence at a point north and west of the Boundary Lake Field and to traverse in a south-westerly direction for approximately 33 miles, connecting with Westcoast's McMahon plant at Taylor, all in the Province of British Columbia. The purposes of the proposed pipe line would be to transport gas produced from the Milligan-Peejay, Osborne, Lagarde and North Boundary fields for commingling with other gas at Taylor, thereby prolonging the deliverability life of Westcoast's existing Fort St. John gathering system and providing greater reliability of gas supply to the pipe line system. The application stated that, in addition to benefits to Westcoast from taking gas from the said areas, the producers would benefit from being able to conserve associated gas presently being flared.





Associated with the application was a request for approval, pursuant to section 63 of the Act, of the leasing from Gas Trunk Line of British Columbia Ltd., of a condensate loop approximately one mile in length, together with the requisite right-of-way and a further 0.8 of a mile of right-of-way for pipe line purposes. It was the view of the Board that this request should be dealt with on an ex parte basis following the hearing of the application for a certificate.

Although no interventions were received with regard to the application, the Honourable Frank Richter, Minister of the British Columbia Department of Mines and Petroleum Resources, informed the Board by telegram that that Department was in favour of the Milligan-Peejay pipe line because of its serious concern about the large volume of solution gas presently being flared and its policy of encouraging oil well owners to reduce waste. The Minister stated that the proposed pipe line would not only facilitate such conservation but would also encourage further exploration in the area it would serve.





## SUPPLY

Westcoast submitted evidence estimating the remaining marketable reserves available to the Milligan-Peejay pipe line to be approximately 405 billion cubic feet ("Bcf") as of 31 December 1969. In making this estimate, Westcoast stated that it had been guided by various economic studies conducted by the producers in the area, which among other things indicated that none of the reserves should be considered to be beyond economic reach.

Westcoast stated that it had firm commitments from the producers covering volumes approaching the minimum 80 per cent of the total area reserves which it considered necessary for the viability of the pipe line.

A 20-year deliverability schedule was filed by the Applicant at the hearing. This study, based on the estimated total area reserves, illustrated a maximum day deliverability life of approximately nine years at full line design capacity followed by an assumed linear decline thereafter. An overall reserve life index of approximately 24 years was indicated by the contractual maximum day and minimum "take or pay" obligations for the associated and non-associated reserves which constituted the bulk of the supply.





The Board is satisfied with the assessment of reserves, with the schedule of deliverability as presented by the Applicant and with the gas supply committed to the pipe line.





## MARKETS

Westcoast presented estimates of maximum daily and annual requirements of its market for the five-year period commencing 1 November 1969. The Board is satisfied that these estimates are reasonable.

The Applicant stated that, effective in 1969, there would be a change in most of its gas sales contracts, whereby customers would have to nominate maximum daily demands prior to the commencement of the contract year. This would increase the number of days on which contracted maximum daily market demand would have to be met and the Applicant testified that assurance of supply to the market would be strengthened by the added deliverability and diversity to be provided by the proposed line.



## FACILITIES

The Milligan-Peejay pipe line is to consist of approximately 33 miles of 12 3/4-inch O.D. pipe line of API pipe specification 5LX 46 to be constructed at an estimated capital cost of \$2,288,600.

The Applicant testified that adherence to its policy of constructing one mile of pipe line for every 10 Bcf of gas reserves was the basis for establishing the proposed length of 33 miles. Pipe line appropriate to connect the terminal of the Milligan-Peejay pipe line to the wells would be constructed by the producers of gas as a gathering system owned by them. The Applicant further testified that the contracted delivery pressure of 1,000 pounds per square inch gauge and the choice of 12 3/4-inch O.D. pipe would permit the proposed gas flows to enter its McMahon plant without additional compression.

Westcoast stated in evidence that it did not anticipate any need for expropriations in acquiring the proposed 60-foot width of right-of-way and that no interference would occur in agricultural areas.

The route of the proposed pipe line was stated to be in relatively open country except at its southerly end where, for a distance of approximately two miles, the





pipe line is to be constructed in proximity to other operating lines of pipe. However, Westcoast testified that the pipe line in this area would be constructed in such a manner as to avoid any damage to the existing lines of pipe.

The Applicant stated that the pipe would be made in Canadian mills by an electric resistance weld process and that it intended to have one of its own employees as an inspector as well as a representative from a firm of consulting inspection engineers present during the fabrication of the pipe.

Evidence was also given that all of the material with the exception of certain appurtenances, such as valves and fittings, would be manufactured in Canada and the engineering and construction would be performed by Canadian personnel. This would result in the Canadian content of the project being in excess of 90 per cent.

In answer to questions with respect to the estimated capital cost of this project, the Applicant stated that the present estimate was based on quoted pipe prices and contractors' bids.

Westcoast stated that it intended to complete the pipe line by 1 October 1969.

The Board is satisfied that the proposed facilities are suitable for transporting the estimated gas reserves from the Milligan-Peejay area.





## FINANCIAL

Westcoast submitted that, in the light of the purposes of the proposed pipe line, it was designed on the most economical basis possible and that its cost of transmitting gas to the main line would be less than two cents per thousand cubic feet.

The Applicant also submitted that the estimated cost of the project of \$2,288,600 would be financed initially through bank loans procured against unused bank credit of \$5,000,000. In addition, Westcoast expected that funds available from operations in 1969 would amount to approximately \$5,600,000 after necessary debt repayments.

The Board is satisfied that sufficient funds are available to the Applicant for the construction of the proposed pipe line.



## DISPOSITION

The Board has given careful consideration to all the evidence presented to it with particular regard for the purposes of the Milligan-Peejay pipe line. Accordingly it finds that the proposed pipe line is and will be required by the present and future public convenience and necessity.

Subject to the approval of the Governor in Council, the Board, therefore, will issue to Westcoast a certificate of public convenience and necessity in respect of the proposed pipe line upon the following terms and conditions.

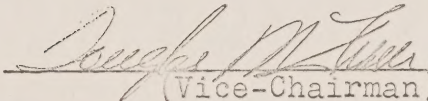
1. The additional pipe line shall be the property of and be operated by the Applicant.
2. (1) The Applicant shall cause the additional pipe line in respect of which this certificate is issued to be designed, manufactured, constructed and installed in accordance with those specifications and drawings set forth in the application and those which have been otherwise filed with the Board.

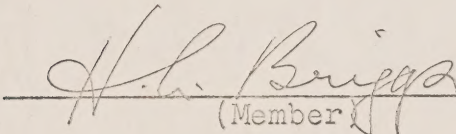


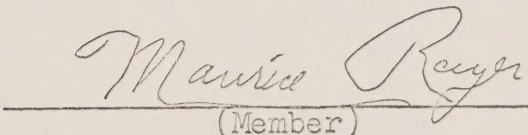


- (2) The Applicant shall make no variation in the specifications and drawings described in subsection (1) without the prior approval of the Board.
3. The Applicant shall cause the testing of the additional pipe line to be carried out in conformity with the Board's requirements.
4. The Applicant shall cause the construction and installation of the additional pipe line to be completed on or before 30 November 1969 unless upon application by the Applicant a later day is fixed by the Board.

All of which is respectfully submitted.

  
(Vice-Chairman)

  
(Member)

  
(Member)









